

## BUSINESS REPORT

## PENNSYLVANIA

**Pennsylvania is Holding its Own****An aggressive state economic stimulus program, lower cost of living, and a strong university system boost the Keystone State.**

By Jenny Vickers

**T**he current economic recession is putting major strains on state economies: global demand for goods and services is decreasing, major economic sectors are in decline, unemployment is rising, and state budget deficits are increasing.

Despite these daunting challenges, the Pennsylvania Department of Community and Economic Development says that its economy has fared well relative to other states in the union, including major competitors and neighboring states. A study by Moody's Economy.com, an independent national economic research firm, says that Pennsylvania has weathered the economic downturn due to aggressive economic stimulus efforts, below average cost of living, a strong roster of leading educational institutions, and affordable housing relative to other Northeast states.

The study ranks the state 17th in its forecast for short-term employment growth (two years), which is the best ranking the state has ever received and better than neighboring states. In addition, state exports have grown by \$5.3 billion to a total of \$34.4 billion since 2002, the 6th largest amount of growth in the nation, larger than New Jersey, Ohio, Maryland, Illinois, and Michigan.

"Pennsylvania has created an attractive business climate that is very conducive to job development, growth and retention, which keeps us competitive with our neighboring states," declares Pennsylvania Department of Community and Economic Development Acting Secretary George Cornelius.

When Pennsylvania Governor Ed Rendell first took office in 2003, the state was nearly last in job creation. Six years and more than \$3 billion in state investments later, Pennsylvania has attracted \$8.6 billion in additional investments, created 100,000 more jobs, and its unemployment rate has been at or below the national level during most of that time.

Rendell's new proposed budget, unveiled earlier this month, aims to continue this job creation trend. The proposal includes another round of business tax cuts and funding for projects that will provide good-paying jobs, better educate the state's workforce, and develop more green energy to help secure the state's energy independence.

"Even in this national economy, it is vital to protect the \$1.6 billion in business tax cuts that we have enacted since 2003," says Governor Rendell.

The spending plan includes \$60 million to reinvigorate the Business in Our Sites Program (BOS) so more shovel-ready sites can be developed across the state that attract new businesses. BOS funds can be utilized for land acquisition, environmental assessment and remediation, demolition, installation of infrastructure, both on-site and as needed to bring service to the site, and access roads or other necessary on-site and off-site transportation improvements.

**PENNSYLVANIA FAST FACTS**

Population (2007): 12,448,279  
 Largest Cities (2007): Philadelphia (1,449,634); Pittsburgh (312,819); Allentown (106,632); Erie (103,717); Reading (81,207)  
 Targeted Industries: Advanced materials and diversified manufacturing, business and financial services, life sciences, high technology, alternative energy, agriculture and food production.  
 Key Incentives: Business in Our Sites Program (BOS), Infrastructure Facilities Improvement Grant Program (IFIP), New Pennsylvania Venture Capital Investment Program, Export Finance Program

\*Bureau of Economic Analysis, U.S. Department of Commerce

Forty million dollars have been proposed for water and wastewater infrastructure projects related to economic development, with an additional \$10 million to build upon the Infrastructure Facilities Improvement Grant Program (IFIP). IFIP provides multi-year grants to certain issuers of debt in order to assist with the payment of debt service. The program provides financing for hospitals, convention centers, hotels associated with convention centers, manufacturers, and retail establishments (if those establishments will create at least 200 full-time jobs and occupy more than 200,000 square feet). Every \$1 million of funding for this program creates approximately 2,000 new jobs.



*Wyomissing Square Credit: Design Collective, Inc.*

**Growing Pennsylvania's Green Manufacturing**

In January 2009, the state announced new investments in innovative energy and bio-fuels projects that will help the Keystone State continue to develop clean energy resources and grow its green energy manufacturing industry. The grants, which include \$7.2 million through the Energy Harvest program and \$6.5 million through the Alternative Fuels Incentive Grant (AFIG) program, will support projects in at least 25 counties, leverage more than \$53.1 million in private investments, and create at least 77 jobs.

AFIG grants are available to companies that produce homegrown alternative fuels and biofuels, related infrastructure, as well as assisting consumers that purchase hybrid vehicles.

**Pennsylvania is Withstanding the National Recession Better than Other States**

Since the program was expanded in 2004, it has awarded almost \$24.3 million to 78 projects and leveraged \$173.3 million in investment commitments by public and private fleet operators, fuel providers, and the federal government.

Energy Harvest grants are available for companies that promote awareness and build markets for cleaner or renewable energy technologies. Since the program began in 2003, it has invested nearly \$33.5 million and leveraged \$109.7 million in private investment commitments.

These investments are an integral part of the Governor's Energy Independence Strategy, which was passed last year. A key component of the program is the \$650-million Alternative Energy Investment Fund, a biofuel mandate and incentive program that will help add one billion gallons of home-grown alternative fuels to the state's transportation supply. Overall, these investments will spur as much as \$3.5 billion in new, private economic development projects and create at least 10,000 good-paying jobs.

"With the passage of the Alternative Energy Investment Fund and the Alternative Fuels Investment fund in 2008, Pennsylvania became a leader among states in the advancement of energy conservation," says Gov. Rendell. "This investment will encourage the development of alternative and renewable energy technologies including wind, solar and biofuels. It also will trim energy costs for residents by reducing consumption, resulting in consumer savings of up to \$500 million by 2013."

**High-Tech Growth in the Keystone State**

New investments will help advance growth in Pennsylvania's technology-based industry—which economic development officials say is a huge economic driver for the state. In January 2009, the Ben Franklin Technology Development Authority (BFTDA) announced investments totaling \$6 million, with a bulk of funding designed to spur growth in cutting-edge alternative energy technologies.

One of the newly announced projects include DreamIt Ventures II & III L.P., Philadelphia, which received \$250,000 through the Venture Capital Investment Program to make investments in 20 to 30 pre-seed companies that are developing new-generation technology companies in the Philadelphia region.

BFTDA provides funding to the Ben Franklin Technology Partners, a widely known and emulated state technology-

based economic development program. For 25 years, the program has invested in more than 3,000 companies in the technology-driven fields of information tech, biotech, nanotech, electronics, communications, advanced manufacturing, advanced materials and alternative energy and green technology. A recent study released by the



*Keystone Department of Community & Economic Development Credit: Keystone Department of Community & Economic Development*

Pennsylvania Economy League,

an independent, nonpartisan, nonprofit, public policy research and development organization, shows that between 2002 and 2006, this program helped boost the state economy (gross state product) by \$9.3 billion and created thousands of new high-tech jobs. Because of its success, Ben Franklin Partners was awarded the International Economic Development Council's (IEDC) Technology Based Economic Development Award in October 2008. New Projects proliferate.

Pennsylvania's Governor's Action Team (GAT) was established in 2003 to help domestic, international companies or site consultants consider Pennsylvania as a potential site for facility location or expansion. Since then, the program has successfully completed 1,093 projects statewide, which represent commitments for 116,013 new jobs and 265,917 retained jobs. In addition, the commonwealth has offered more than \$2.1 billion in funding to these projects, which will leverage more than \$13.9 billion in additional investment.

"There is intense competition among states for economic development and investment projects," says Cornelius. "The GAT team serves as a company's inside guide to the tools, advantages and opportunities available for businesses in the Commonwealth."

Two projects recently secured by the GAT team include Keystone Helicopter Corporation and Samuel Adams Pennsylvania Brewery Company.

Keystone Helicopter Corporation, located in Sadsbury Township, Chester County was awarded an economic development package worth more than \$1.8 million that consisted of funding from the state's opportunity grant program, customized job training program, and job creation tax credits.

The funding will assist with the establishment of a flight test hangar, a manufacturing warehouse and a new delivery center to expand its capabilities to build, deliver and service helicopters, including the Sikorsky S76, an aircraft which is primarily sold for

VIP and personal use, as well as EMS systems, utility use and search and rescue missions. This investment from the commonwealth is expected to retain 591 jobs and create an additional 559 positions, and it has enabled the company to leverage an additional \$12.9 million in private investment.

### **Berks County: Scenic Hub for Industry and Trade**

Berks County, situated in southeastern Pennsylvania, is an urban area of 401,149 people (2006). At the epicenter of the county is the city of Reading, located 56 miles northwest of Philadelphia and in the heart of the Delaware Valley region, one of the leading industrial and trade complexes in the nation.

Despite its consideration as part of the Philadelphia combined statistical area, Berks County is considered part of Pennsylvania's Dutch Country and is rich in history, scenery and natural resources. The region includes the Blue Mountain and Great Valley regions of the Valley and Ridge Province, the Reading Prong region of the New England Province, and the Triassic Lowland of the Piedmont Province.

According to the Berks Economic Partnership, the Greater Reading and Berks County region is an attractive place for

companies due to its strategic east coast location, with access to more than 100 million people. It is within a day's drive of more than one-half of the U.S. population and its transportation corridors link it to other major cities such as New York (125 miles) and Baltimore (97 miles).

"From a total package perspective, Greater Reading is an attractive place for companies that are relocating or expanding their business," says Jon Scott, president and CEO of Berks Economic Partnership. "Site selectors, commercial and industrial real estate specialists, developers, and corporate relocation experts look closely at a number of factors before deciding on a location. We have numerous reasons why the area is ripe for an economic boom."

These reasons include a lower cost of living and doing business, as well as attractive business incentives and support. Compared to Philadelphia and New York, the cost of doing business is 30 percent less in many instances. In 2007, the NBC Today Show and Forbes.com named Greater Reading one of the best real estate markets in the nation. The state also has invested more than \$50 million in economic development projects in Greater Reading during the past two years.

Commercial and industrial space in the county is affordable and readily available. Class A office space averages \$17.75 per square foot while manufacturing space averages \$3.60 per square foot. Two spaces exemplifying this point are Wyomissing Square and StonePoint Center.

Located on the site of the former Textile Machine Works and Wyomissing Industries near Park Road in Wyomissing, the \$75-million Wyomissing Square features a four-story, 248-unit apartment complex, a 135-room premiere Marriott Courtyard hotel, more than 30,000 square feet of retail space, and 60,000 square feet of renovated office space. "Wyomissing Square is going to have a significant economic impact throughout the region," said Dennis Yablonsky, former Secretary of the Pennsylvania Department of Community and Economic Development.

Almost \$3 million in state funding was secured to transform the previous industrial brownfield site into a viable project, and local authorities provided tax incentives to make the site more attractive for business development. It is on schedule for completion in 2010.

Located outside Reading in Muhlenberg Township, StonePointeCenter offers an exceptional mix of office, warehouse, and flex space on 133 acres with excellent access to highways, airports, and major East Coast cities. The 1-million-square-foot center is currently home to the Greater Reading Expo Center. In early 2008, the Greater Reading Convention & Visitors Bureau moved its offices to StonePointe, and more recently, UGI Utilities relocated 130 employees including executive, finance, accounting, and human resources personnel into 50,000 square feet at the facility. In addition, it has been short-listed by several companies as a potential site for future manufacturing and alternative energy opportunities.

StonePointe has plenty of affordable, premium space still available. For more information, visit [www.stonepointecenter.com](http://www.stonepointecenter.com).

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